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House Committee on Natural Resources

Testimony of Ed Anderson on “The Chu Memorandum: Directives Could Increase Electricity Costs for over 40 Million Families and Small Businesses”

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Mr. Chairman and members of the committee, thank you for allowing me the opportunity to appear on behalf of the 31 rural electric cooperatives who are members of South Dakota Rural Electric Association. SDREA is a member services organization that represents all electric cooperatives operating in the state of South Dakota. Our member systems provide service to nearly 300,000 consumers and operate in every county in South Dakota. Our members maintain 65,000 miles of power line and yet serve just 2.3 consumers per mile, compared to 26 consumers per mile for investor owned utilities and 45 consumers per mile for municipal electric systems. The demographic and geographic challenges our members face to deliver cost based power to their member’s demands constant vigilance, ingenuity and an unwavering commitment to the partnerships that support the delivery of reliable and affordable power. The initiatives outlined in the March 2012 “Chu memo” will do nothing to support or advance that commitment.

While I will not address each of the initiatives outline in Secretary Chu’s memorandum, a few stand out as proof that the administration and Secretary Chu know little about the federal power marketing administrations and their relationships with their preference customers. They know even less of the preference customer’s efforts over the last several decades to work with the PMAs’ and the agencies who oversee the federal hydropower system to maintain a reliable and robust power generation and delivery system. Both Secretary Chu and Ms. Azar have made statements suggesting that the PMAs’ suffer from significant infrastructure degradation problems. That is simply not true. What possible sense would it make for my members to allow a system that is so critical to the delivery of reliable power to their members to fall into a state of disrepair? Through their rates they have supported a consistent and aggressive program of infrastructure maintenance and expansion to meet growing needs at no cost to the federal treasury. That’s right; the federal power program pays its own way. And when the Western Area Power Administration has faced budget challenges in the past my members have voluntarily stepped in and supported amendments to long term power purchase agreements to help Western address those challenges. That should give you a sense of the relationship that exists between my members and Western. It is a relationship that has taken years and the efforts of many hard working intelligent people from Western and their preference customer base to develop. Secretary Chu’s efforts to take the PMAs’ well beyond their statutory mission, sending rates on an upward path in the process, threatens to fracture a public/private partnership that should be used as a model for developing other similar partnerships.

Secretary Chu’s memo also indicates that he will push the PMAs’ into a wide range of industry related activities including energy efficiency programs, demand response programs and integration of renewable resources. Had he taken the time to ask a few questions he would have discovered that

electric cooperatives have been promoting energy efficiency and demand response programs for decades and I know that Western, working with electric cooperatives and others, doesn't need to be pushed into variable resource integration with thousands of megawatts of installed renewable resources already integrated into their system. Forcing the PMAs' to step beyond their current mission into these areas will only duplicate existing highly successful programs at significant cost to the end consumers.

Let me finish by noting that I attended two of the workshops that the Department of Energy staged to seek input on the Chu memo. The process could be described as frustrating at best. It became abundantly clear early on that the word "staged" would be important in describing the process. The purpose of the workshops was to publically roll out the Chu initiatives, not to seek the advice and consent of those who will be affected. The path that Secretary Chu is on is clearly not government by the people, but is a perfect example of the imposition of government upon the people, with little or no discernable benefit to the people, but will most certainly be paid for by the people. This is not good government.

Thank you again Mr. Chairman and members of the committee for allowing me to speak with you today.